ANNEX

RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS

TPER GROUP

RESTATED IFRS CONSOLIDATED FINANCIAL STATEMENTS

INDEX

(Independent Auditors' Report)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2016

	IFRS Restated
Non-Current Assets	
Property, plant and equipment	181.474.390
Goodwill	0
Other Intangible assets	25.567.489
Concessions	0
Investments	14.674.636
Deferred tax assets	1.080.178
Non-current financial assets	447.543
Other non-current assets	4.505.842
Total Non-Current Assets	**227.750.078**
Current Assets	
Inventories	21.555.677
Trade and other receivables	76.793.548
Current tax assets	148.281
Current financial assets	3.736.060
Other current assets	30.590.068
Cash and cash equivalents	30.243.444
Total Current Assets	**163.067.078**
Total Assets	**390.817.155**
Shareholder's Equity	
Share capital	68.492.702
Reserves and retained earnings	64.891.242
Profit for the year	6.740.221
Shareholders' equity attributable to the Owners of the Company	**140.124.165**
Capital and reserves attributable to non-controlling interests	2.605.508
Profit for the year attributable to non-controlling interests	125.412
Shareholders' equity attributed to the non-controlling interests	**2.730.920**
Total Shareholders' Equity	**142.855.085**
Non-Current liabilities	
Non-current financial liabilities	7.915.215
Provisions for employee benefits	32.809.688
Provisions for risks	29.798.467
Deferred tax liabilities	6.713.373
Other non-current liabilities	4.904.106
Total Non-Current Liabilities	**82.140.848**
Current liabilities	
Current financial liabilities	25.238.587
Trade and other payables	69.046.480
Current tax liabilities	896.752
Other current liabilities	70.639.403
Total Current Liabilities	**165.821.222**
Total Liabilities	**247.962.070**
Total Shareholders' Equity and Liabilities	**390.817.155**

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2016

	IFRS Restated
Revenues	242.668.247
Revenues for planning and construction activities	254.343
Other revenues	61.274.154
Total Revenues	**304.196.744**
Purchases of goods	(38.319.032)
Services, leases and rental expenses	(108.181.029)
Payroll costs	(124.487.799)
Other operating expenses	(2.757.370)
Total Operating Costs	**(273.745.230)**
Gross Operating margin	**30.451.514**
Amortisation, depreciation and write-downs	(14.969.864)
Operating income (EBIT)	**15.481.651**
Financial income	348.894
Financial expense	(1.217.258)
Net financial income and expenses	**(868.363)**
Profit before taxes	**14.613.287**
Income Taxes	(7.747.654)
Profit for the year	**6.865.633**
Of which:	
Profit for the year assigned to non-controlling interests	125.412
Profit for the year assigned to the owners of the Company	6.740.221

STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2016

	IFRS Restated
Profit for the year (a)	**6.865.633**
Actuarial profit/(loss) on employee benefits (Employee Severance Indemnity)	(1.207.237)
Tax effect on profit/(loss) that will not be subsequently reclassified in the Income Statement	289.737
Profit/(loss) that will not be subsequently reclassified in the income statement (b)	**(917.500)**
Profit/(loss) that will be subsequently reclassified in the income statement (c)	**0**
Comprehensive income (a) + (b) + (c)	**5.948.133**
Of which:	0
Profit for the year assigned to non-controlling interests	125.412
Profit for the year assigned to the owners of the Company	5.822.721

€/000	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND TO NON - CONTROLLING INTERESTS
	Issued Capital	Legal reserve	Other reserves	Retained earnings/(losses)	TOTAL		
January 1, 2016	**68.493**	**3.167**	**39.760**	**23.147**	**134.567**	**3.596**	**138.163**
Comprehensive income for the year			(917)	6.740	5.823	125	5.948
Change in scope of consolidation				(266)	(266)	(991)	(1.257)
Other changes		369	643	(1.012)	0	0	0
December 31, 2016	**68.493**	**3.536**	**39.486**	**28.609**	**140.124**	**2.731**	**142.855**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

The TPER Group prepares its consolidated financial statements in accordance with the Italian Civil Code interpreted and integrated by the accounting standards issued by Organismo Italiano di Contabilità (the Italian Accounting Standards Setter, hereinafter "Italian GAAP" or "ITA GAAP").

In connection with the proposed capital market transaction that will require the preparation of a prospectus, the consolidated financial statements of the TPER Group as at December 31, 2016 have been restated in conformity with IFRS solely for the purpose of its inclusion in the Prospectus (the "Restated IFRS Consolidated Financial Statements"), as required by the Regulation 809/2004/UE and by the recommendation 05-054b of the Committee of European Securities Regulators ("CESR") now ESMA - European Securities and Markets Authority. As a consequence of the transaction, the TPER Group will adopt the IFRS for the preparation of the consolidated financial statements starting from the year ended December 31, 2017.

Under IFRS, only a complete set of financial statements, comprising a statement of financial position, statements of income statement, cash flows and changes in shareholders' equity, with comparative financial information and explanatory notes can provide a fair presentation of the entity's financial position, results of operations and cash flows in accordance with IFRS as adopted by the European Union. This document is intended solely for information and use of the Board of Directors of Tper S.p.A. in connection with the conversion, as a basis for the preparation of the financial statements, to IFRS as adopted by the European Union, and for the purposes of its inclusion in the Prospectus. It should not be used for any other purpose or provided to other parties.

The Restatated IFRS Consolidated Financial Statements, therefore, do not present comparative figures and the necessary notes, which would be required to represent a true and fair view and give a complete presentation of the consolidated financial position, results of operations and cash flows of the TPER Group in conformity with IFRS; accordingly, the Restatated IFRS Consolidated Financial Statement cannot be considered a full financial statements prepared in accordance with IFRS. This document provides the information required by IFRS 1 (paragraph 24 and following) concerning the effects of the first-time application of IFRS on the consolidated financial position and consolidated results of operations of the TPER Group, in accordance with the Recommendations of the Committee of European Securities Regulators ("CESR"). Such information relates to the impact that the conversion to IFRS has on the consolidated financial position, consolidated income statement and consolidated statement of comprehensive income presented.

The Restated IFRS Consolidated Financial Statements include the financial statements of TPER S.p.A. and its subsidiaries. These consolidated financial statements, prepared in accordance with Italian GAAP, have been reclassified into an IFRS statements presentation solely for the purpose of their inclusion in this restated financial information in conformity with IFRS.

For the purpose of the presentation of the effects of the transition to IFRS and to satisfy the rules for disclosure indicated in paragraphs 24 and 25 of IFRS 1 concerning the effects of the first-time application of IFRS, the TPER Group has followed the requirements contained in IFRS 1.

The effects of the transition to IFRS due to the application of different accounting principles with respect to those previously applied were reflected in the opening shareholders' equity at January 1, 2016, as required by IFRS 1. In the transition to IFRS, the estimates previously formulated in accordance with ITA GAAP have been maintained, unless the adoption of IFRS required the formulation of estimates in accordance with different methods.

The IFRS consolidated statement of financial position as of December 31, 2016 and the IFRS consolidated income statement, consolidated statement of comprehensive income, for the year 2016 have been obtained from the consolidated data, prepared in accordance with Italian GAAP, by making the appropriate IFRS adjustments and reclassifications to reflect the changes in the presentation, recognition and valuation required by IFRS.

The following notes include:

- accounting options elected by TPER Group in the first-time adoption of IFRS accounting standards;
- reconciliation of net equity previously reported in accordance with Italian GAAP to net equity recalculated in accordance with IFRS as of January 1, 2016 and as of December 31, 2016;
- reconciliation of consolidated statement of financial position reported in accordance with Italian GAAP to consolidated statement of financial position reported in accordance with IFRS as of January 1, 2016 and as of December 31, 2016;
- reconciliation of consolidated income statement reported in accordance with Italian GAAP to consolidated income statement reported in accordance with IFRS as of and for the year ended December 31, 2016;
- reconciliation of net income reported in accordance with Italian GAAP to net income in accordance with IFRS as of and for the year ended December 31, 2016;
- explanatory notes to principal IFRS reclassifications and adjustments arising from the transition to IFRS, including in the aforementioned reconciliations.

As required by the IFRS 1 at the date of transition to the IFRS standards a consolidated balance sheet has been prepared whereby:

- only those assets and liabilities that can be reported under the IFRS have been recognisedrecognised;
- items that were shown in the financial statements in accordance with accounting policies other than IFRS have been restated;
- all assets and liabilities have been valued as if the IFRS have always been applied, with the exception provided for by IFRS 1 and reported in this document;
- the effect of adjustments resulting from the application of IFRS to the opening balances of assets and liabilities has been recognisedrecognised in the shareholders' equity, net of the relevant deferred tax effect which is accounted for within deferred tax assets or liabilities.

2. FINANCIAL STATEMENTS PRESENTATION

The "current/non-current" classification has been adopted for the statement of financial position, while the classification of expenses by nature has been chosen for the income statement. Accordingly, the Company has reclassified its financial statements previously prepared in accordance with ITA GAAP.

An asset is classified as current when:

- the TPER Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- the TPER Group holds the asset primarily for the purpose of trading;
- the TPER Group expects to realize the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The TPER Group classifies all other assets as non-current.

A liability is classified as current when:

- the TPER Group expects to settle the liability in its normal operating cycle;
- the TPER Group holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- the TPER Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The TPER Group classifies all other liabilities as non-current.

As already mentioned, in relation to the consolidated income statement the TPER Group discloses the expenses by nature. The TPER Group decided to present two separate statements consisting of the consolidated income statement and the consolidated statement of comprehensive income.

3. OPTIONAL EXEMPTIONS PROVIDED BY IFRS 1

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS.

TPER Group has applied the following exemptions:

- IFRS 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that ITA GAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 also requires that ITA GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets).

Deemed cost — Fair value of property, plant and equipment (IFRS 1.D5). Certain items of property, plant and equipment have been measured at their fair value as at the date of transition to IFRS, representing the deemed cost. In particular, rolling stock represented by buses has been measured at its fair value as at 1 January 2016, making reference to an external independent appraisal.

- IAS 23 *Borrowing Costs*, the Group has applied the transitional provisions and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under ITA GAAP on qualifying assets prior to the date of transition to IFRS.

In addition, it should be noted that the chosen balance sheet structure presents the current/non-current distinction, whilst the chosen income statement structure uses a classification based on the nature of expenses. This has involved the reclassification of items included in the financial statements for prior years, prepared in accordance with ITA Gaap.

4. MANDATORY EXEMPTIONS PROVIDED BY IFRS 1

IFRS 1 establishes certain mandatory exceptions to the retrospective application of IFRS in the process of transition to IFRS.

The only mandatory exception applied by the TPER Group as part of this transition is that related to estimates that provides that at the date of transition to IFRS estimates shall be consistent with estimates made for the same date in accordance with ITA GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The estimates previously formulated in accordance with ITA GAAP have been maintained.
Other mandatory exemptions prescribed from IFRS 1 were not applied, as they relate to situations not applicable to the TPER Group.

5. PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

The Restated IFRS Consolidated Financial Statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements, if existing;
- The Group's voting rights and potential voting rights.

When necessary, adjustments are made to the financial statements of subsidiaries to ensure their accounting policies to be consistent with the Group's accounting policies. Assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of TPER Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the Group in the preparation of these restated IFRS financial statements:

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, TPER Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. All contingent consideration (except for which classified as equity) is measured at fair value, with the changes in fair value to be accounted for in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, TPER Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of TPER Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

In compliance with IFRS 1 exemption, IFRS 3 *Business Combinations* has not been applied to acquisitions that occurred before 1 January 2016.

Investments in associates and joint arrangments

Associates are all entities over which the group has significant influence, but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after their initial recognition at cost.

Under IFRS 11 - Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. TPER Group has only joint ventures.

Interests in joint ventures are accounted for using the equity method, after their initial recognition at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further losses, unless it has incurred obligations to make payments to the entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment.

Property, plant and equipment

The cost of an item of property, plant and equipment is recognisedrecognised as an asset if, and only if: (a) it is probable that future economic benefits associated with the item will flow to the entity; and (b) the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is recognisedrecognised at cost and recorded at the purchase, transfer or production cost, including directly allocable ancillary costs needed to make the assets available for use. When a significant period of time is needed to make the asset ready for use, the purchase, transfer or production cost includes the financial expense which theoretically would have been saved during the period needed to make the asset ready for use, if the investment had not been made.

If there are current obligations to dismantle and remove the assets and restore the sites, the cost of the asset includes the estimated present value of costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision.

The costs of incremental improvements, upgrades and transformations to/of property, plant and equipment are accounted for as an inclease of the initial cost when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. All other maintenance and repair costs are recognisedrecognised to the income statement as incurred.

Property plant and equipment also include concession operating assets that are not controlled by the

grantor but that are necessary for operation of the concession such as buildings intended for use in the operation, rolling stock that the Group can dispose and other equipment.
The depreciable amount is the cost, or other amount substituted for cost less its residual value.
The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.
Starting when the asset is available and ready for use, the depreciable amount is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the entity may use the asset.

The residual value and the useful life of an asset are reviewed at least at each financial year-end data and, if expectations differ from previous estimates, the change is accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The assets with a use that is strictly related to the activity of a concession agreement are depreciated during the period of the concession or their useful life of the asset, if lower.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.
For arrangements entered into prior to 1 January 2016, the date of inception is deemed to be 1 January 2016 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.
Finance leases that transfer to TPER Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
According exemption provided by IFRS 1 First-time Adoption of International Reporting Standards, TPER Group capitalised only borrowing costs incurred after the date of transition (1 January 2016) for all eligible

qualifying assets.

Government grants

Government grants are recognised where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with by the entity. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity, with no future related costs, is recognisedrecognised in profit or loss in the period in which it becomes receivable.

Government grants related to assets are presented in the statement of financial position by offsetting the grant with the carrying amount of the related asset.

Intangible assets

Intangible assets are non-monetary identifiable asset without physical substance, controlled and from which future economic benefits are expected to flow to TPER Group.

An asset is identifiable if it either:

a) is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so; or
b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An entity controls an asset if the entity has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits.

An intangible asset is recognised if, and only if:

a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
b) the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.
Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the statement of profit or loss when it is incurred.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each financial year-end. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates and shall be recognised in income statement. Amortisation is recognised in income statement.

The TPER Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired; if any such indication exists, the TPER Group tests an intangible asset for impairment in the manner described in the following paragraph "Impairment of assets"; an impairment loss recognised in prior periods for an asset shall be reversed if the indication which caused the impairment loss no longer exist. Intangible asset with an indefinite useful are required to test for impairment at least annually.
The gain or loss arising from derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in income statement when the asset is derecognisedrecognised.

Impairment of assets

At the end of the reporting period, TPER Group tests property, plant and equipment, intangible assets, financial assets and investments for impairment. If there are indications that these assets have been impaired, the value of such assets is estimated in order to verify the recoverability of the carrying amounts and eventually measure the amount of the impairment loss. Irrespective of whether there is an indication of impairment, intangible assets with indefinite lives and those which are not yet available for use are tested for impairment at least annually, or more frequently, if an event has occurred or there has been a change in circumstances that could cause an impairment.
If it is not possible to estimate the recoverable amounts of individual assets, the recoverable amount of the cash-generating unit to which a particular asset belongs is estimated.
This entails estimating the recoverable amount of the asset (represented by the higher of the asset's fair value less costs to sell and its value in use) and comparing it with the carrying amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. In calculating value in use, expected future pre-tax cash flows are discounted, using a pre-tax rate that reflects current market assessments of the cost of capital, embodying the time value of money and the risks specific to the asset.
In estimating an operating CGU's future cash flows, after-tax cash flows and discount rates are used because the results are substantially the same as pre-tax computations.

Impairments are recognised in profit or loss in a variety of classifications depending on the nature of the impaired asset. Losses are reversed if the circumstances that resulted in the loss no longer exist, provided that the reversal does not exceed the cumulative impairment losses previously recognised, unless the impairment loss relates to goodwill and investments measured at cost, where the related fair value cannot be reliably determined.

Non-current assets held for sale and discontinued operations

Non current assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use in the operations. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

On the reclassification date, the assets and liabilities are measured at the lower of fair value minus selling costs and the carrying amount. The assets are no longer depreciated after reclassification. The gain is limited to the amount equivalent to previously made impairment charges. Gains and losses recognised on remeasurement and divestment are recognised in profit and loss for the period.
When an independent business segment or a significant operation is divested, it is classified as a discontinued operation. The divestment date, or the point in time when the operation fulfills the criteria for classification as held for sale, determines when the operation should be classified as a discontinued operation. Profit/loss after tax from discontinued operations is recognised on a separate line in the income statement. The income statement is adjusted for the comparative period as though the discontinued operation had already been disposed of at the start of the comparative period.

Financial Instruments

Financial instruments include equity investments held for trading or held for sale (excluded subsidiaries, associates and joint ventures), non-current receivables and loans, trade receivable and other receivable, other current financial assets as cash and cash equivalents. Financial instruments include financial liabilities, trade payables, other payable and other financial liabilities as well as derivatives.
Financial assets and financial liabilities are recognised in the TPER Group's statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.
The TPER Group derecognises a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement
- transfers the contractual rights to receive the cash flows of the financial asset and (i) transfers substantially all the risks and rewards of ownership of the financial asset, or (ii) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control.

When the TPER Group neither transfers nor retains substantially all the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the entity continues to recognise the transferred asset to the extent of its continuing involvement. When the TPER Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the entity's continuing involvement is the lower of (i) the amount of the asset and (ii) the maximum amount of the consideration received that the entity could be required to repay.

The TPER Group removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.
An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in income statement.

Financial activities and financial liabilities are recognised initially at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

For the purpose of measuring a financial asset after initial recognition, IAS 39 classifies financial assets into the following categories:

a) Non-derivative financial assets and liabilities at fair value through profit or loss:

- financial asset or financial liability classified as held for trading ("HFT");
- financial liabilities at fair value through profit or loss.

b) Other non-derivative financial assets and liabilities:

- loans and receivables;
- held-to-maturity investments ("HTM");
- financial liabilities measured at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in income statement.

c) Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. These assets are measured at fair value and impairment losses cannot be reversed through profit or loss, but shall be recognised in other comprehensive income. When a decline in the fair value of an available-forsale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset
has not been derecognised.

d) Derivatives

Derivatives, embedded derivatives included, are measured at their fair values. Gain or loss arising from a change in the fair value of a derivative that is not part of a hedging relationship shall be recognised in income statement.

A derivative may be designated as a hedging instrument when there is formal designation and documentation of the hedging relationship and the hedge is assessed on an ongoing basis and determined to have been highly effective. Fair value hedge is measured at fair value and the gain or loss from remeasuring the hedging instrument shall be recognised in income statement and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognised in income statement. Cash flow hedge portion of the gain or loss that is determined to be an effective hedge shall be recognised in other comprehensive income, while the ineffective portion of the gain or loss on the hedging instrument shall be recognised in income statement.

Outstanding financial derivatives were measured at fair value against the forward market curve as of year- end date of the annual financial statements, when the underlying assets were traded on markets that provided a forward pricing structure.

At the date of transition (January 1, 2016) and as of December 31, 2016, the TPER Group holds the financial instruments related to non-current bank loans, measured at the amortised cost.

Fair value measurement

TPER Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

Financial instruments (including those carried at amortised cost) Note

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by TPER Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

TPER Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, theG roup determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the fair value measurement of significant assets, such as properties and rolling stocks TPER Group uses external appraisals.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to TPER Group and the

revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. TPER Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and it has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:
b) transport tickets are recognised when used;
c) to the extent, for sales of goods, that significant risks and rewards of ownership are transferred to the buyer;
d) the provision of services is prorated to percentage of completion of work, based on the previously described criteria used for "construction contracts and services in progress", which also include the construction and/or upgrade services provided to grantors, in application of IFRIC 12. When revenue cannot be reliably determined, it is only recognised to the extent that expenses are considered to be recoverable;
e) rental income or royalties, on an accruals basis, based on the agreed terms and conditions of the contract;
f) interest income (and interest expense) is calculated with reference to amount of the financial asset or liability, in accordance with the effective interest method;
g) dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

Employee benefit

Post-employment benefits are defined according to programs, including non-formalised programs, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

Defined-benefit plans
The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur, and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.
Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Finance expense/ (income)".

Defined-contribution plans
In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.
The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term plans
Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in

the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is the weighted average cost. When required inventories are usually written down or adjusted through the recording of a special provision, to take into account factors of slow-moving or obsolete goods.

Construction contracts and services in progress

Construction contracts are accounted for on the basis of a contract's revenue and costs that can be reliably estimated with reference to the stage of completion of the contract, in accordance with the percentage of completion method, as determined by a survey of the works carried out or based on the ratio of costs incurred to total estimated costs. Contract revenue is allocated to the individual reporting periods in proportion to the stage of contract completion. Any positive or negative difference between contract revenue and any advance payments received is recognised in assets or liabilities, taking account of any impairments, in order to reflect the risks linked to the inability to recover the value of work performed on behalf of customers.

In addition to contract payments, contract revenue includes variations, price reviews and any additional payments to the extent that they can be reliably determined.

Expected losses are recognised immediately in profit or loss, regardless of the stage of contract completion.

Revenue from construction and/or upgrade services provided to the Grantor and relating to the concessions held by TPER Group, are recognised on a percentage of completion basis.

Construction and/or upgrade service revenues, representing the consideration for services provided, are measured at fair value, calculated on the basis of the total costs incurred (consisting primarily of the cost of materials and external services, relevant employee benefits and financial expenses, the latter only in the case of construction and/or upgrade services for which the operator receives additional economic benefits. The double entry of construction and /or upgrade service revenue is represented by financial assets deriving from concession rights and/or grants, or by intangible assets deriving from concession rights, as explained in the relevant note.

Provisions

Provisions are made when: (i) TPER Group has a present (actual or constructive) obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the related amount can be reliably estimated.

Provisions are measured on the basis of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the discount to present value is material, provisions are determined by discounting future expected cash flows to their present value at a rate that reflects the market view of the time value of money. Subsequent to the computation of present value, the increase in provisions over time is recognised as a financial expense.

"Provisions for the repair and replacement of rolling stocks" cover the liability represented by the contractual obligation to repair and replace rolling stocks infrastructure, as required by the concession arrangements entered into by TPER Group and the respective grantors. These provisions are calculated on the basis of the estimated costs to be incurred in order to carry out the maintenance or refurbishment works, taking into account if material, the time value of money.

Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for: all deductible temporary differences: the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. The carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arragements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. As a result, such deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

7. Reconciliation of Shareholders' Equity as of January 1, 2016, as of December 31, 2016 and profit for the year 2016

The reconciliation of consolidated shareholders' equity as at January 1, 2016 and December 31, 2016 and the consolidated net result for the year ended December 31, 2016 is shown below. The reconciliation shows:

- amounts determined under Italian GAAP;
- IFRS adjustments;
- amounts determined under IFRS, showing the amounts attributable to the Group and to non-controlling interests.

Notes on the main adjustments to shareholders' equity and net result are also provided.

As a result of the transition to IFRS, all assets and liabilities have been re-measured on the basis of the amounts that would have been recognised had the IFRS been applied retrospectively from the date of the transactions, taking account of the exemptions allowed by IFRS 1, described in the previous notes 3 and 4. The transition to IFRS has, therefore, involved the use of estimates consistent with those made under Italian GAAP, unless the adoption of IFRS requires the use of estimates based on different methods. The effects of transition to IFRS derive from changes in accounting policies and, as a result, are reflected in the opening shareholders' equity at the transition date (January 1, 2016).

Reconciliation of consolidated shareholders' equity and net result

€/000		Shareholders' equity 1 Jan 2015	Net profit/(loss) 2016	Other changes in shareholders' equity	Shareholders' equity 31 Dec 2016
Amounts attributable to the Group		*112.779*	*7.609*	*(294)*	*120.094*
Amounts attributable to non-controlling interests		*3.404*	*74*	*(963)*	*2.515*
Amounts under Italian GAAP (Group and non coontrolling interests)	NOTE	**116.183**	**7.683**	**(1.257)**	**122.609**
IFRS adjustments:					
- Fair value PPE as deemed cost	**(a)**	21.025	219		21.244
- Write off of provisions	**(b)**	5.801	77		5.878
- Derecognition of financial liabilities	**(c)**	2.315	(831)		1.484
- Equity method for investments in associates	**(d)**	570	(433)		137
- Cost of inventories with weighted average cost formula	**(e)**	546	(579)		(33)
- Financial leases	**(f)**	296	205		501
Initial measurment of financial assets and financial liabilities	**(g)**	557	(129)		428
- Recalculation of staff termination benefits under IAS 19	**(h)**	(2.224)	(8)	(1.207)	(3.439)
- Derecognition of intangible assets	**(i)**	(762)	350		(412)
- Tax effect of IFRS adjustments		(6.144)	311	290	(5.543)
Amounts under IFRS (Group and non-controlling interests)		**138.163**	**6.865**	**(2.174)**	**142.855**
Amounts attributable to the Group		*134.567*	*6.740*	*(1.183)*	*140.124*
Amounts attributable to non-controlling interests		*3.596*	*125*	*(991)*	*2.731*
Difference compared with Italian GAAP		*21.980*	*(818)*	*(917)*	*20.246*
% Difference compared with Italian GAAP		*18,9%*	*-10,6%*	*73,0%*	*16,5%*

Explanatory notes to main IFRS adjustments

a. *Fair value Property Plant and Equipment as deemed cost* – As indicated in note 2, TPER Group has elected to adopt the optional exemption granted by IFRS 1.D5 to measure bus rolling stock used for urban public transport at the date of transition to IFRS at its fair value, making reference to an external independent appraisal. As a consequence, at January,1 2016, these assets have been revalued for an amount of € 21,025 thousand, with a related tax effects of € 5,866 thousand. With respect to the consolidated income statement for the year ended 2016, there is a net positive impact of € 219 thousand as a result of the different depreciation for the year. Shareholders' equity as at December, 31 2016 is thus € 21,244 thousand and the related tax effect amounts to € 5,834 thousand.

b. *Write off of provisions* - Under IAS 37, provisions for liabilities and charges are recognised when the Group has a present (legal or constructive) obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, also taking account, where material, of the time value of money; in this case, the amount of the provision shall be calculated at its present value. As a consequence, as at January 1, 2016, provisions previously recognised according ITA GAAP have been reduced for € 5,801 thousand. Also by effect of the relevant impact on the consolidated income statement 2016, the shareholders' equity as at December 31, 2016 is thus increased by € 5,878 thousand..

c. *Derecognition of financial liabilities* - According to IAS 32, in summary, a financial liability is a financial instrument which contains a contractual obligation whereby the entity is or may be required to deliver cash or another financial asset to the instrument holder. –Accordingly, financial liabilities that do not meet the definition of liability have been eliminated. The elimination of such liabilities has resulted in an increase of € 2,315 thousand in consolidated shareholders' equity as at January, 1 2016, and € 1,484 thousand at December 31, 2016, gross of the related deferred tax effect of € 646 thousand and € 414 thousand, respectively. The negative impact on the consolidated income statement for year ended 2016 is € 831 thousand, gross of the related deferred tax effect of € 232 thousand.

d. *Equity method for investments in associates* – According to the equity method accounting, on initial recognition the investment in an associate is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. In the consolidated financial statements as at December 31, 2015 prepared in accordance with Italian GAAP, equity investments in associates have been valued at the cost incurred, adjusted for impairment. As a result of the different accounting method, the consolidated shareholders' equity increased by € 570 thousand as at January 1, 2016 and € 137 thousand as at December 31, 2016. The impact on the consolidated income statement for year ended 2016 is negative for € 433 thousand.

e. *Cost of inventories with weighted average cost formula* - IAS 2 - Inventories provides that the cost of inventories shall be measured by using the first-in, first-out (FIFO) method or the weighted average cost formula, whilst, in compliance with the Italian GAAP, TPER Group valued its inventories according to the last-in, first out (LIFO) method. This adjustment has resulted in an increase in consolidated shareholders' equity of € 546 thousand as at January 1, 2016 and in a decrease of € 33 thousand as at December 31, 2016, gross of the related deferred tax effect of € 152 thousand and € 9 thousand, respectively. The impact on the consolidated income statement for year ended 2016 is negative for € 579 thousand, gross of the related deferred tax effect of € 162 thousand.

f. *Financial leases*. Under IAS 17 – Leases, assets held by an entity (as the lessee) under finance leases are recognised, in accordance with their substance, as an asset purchased against a borrowing. Such assets, therefore, must be recognised in the statement of financial position as components of property, plant and equipment, whilst the borrowing received have to be recognised as a financial liability. As a result, depreciation expenses and finance costs are recognised in the income statement. In contrast, Italian GAAP do not require the assets to be recognised in the lessee's financial statements, with only accrued lease payments to be recognised in the income statement. This adjustment has resulted in an increase in consolidated shareholders' equity of € 296 thousand as at January 1, 2016 and € 501 thousand as at December 31, 2016, gross of the related deferred tax effect of € 71 thousand and € 120 thousand, respectively. The impact on the consolidated income statement for year ended 2016 is positive for an amount of € 156 thousand, net of the related deferred tax effect of € 49 thousand.

g. *Initial measurement of financial assets and financial liabilities* – At recognition, the measurement of a financial asset or financial liability is the fair value of consideration given or received (IAS 39 para 43). When Nevertheless, these financial assets or liabilities are non-current and the interest is free or off-market, the fair value shall be determinated future cash flow using a market rate of interest for similar instrument with a similar credit rating isuued at the same time. Consequently, at the transition date such financial assets and liabilities have beeb remeasured. This adjustment has resulted in an increase of € 557 thousand in consolidated shareholders' equity as at January, 1 2016, and € 428 thousand at December 31, 2016, gross of the related deferred tax effect of € 155 thousand and € 124 thousand, respectively. The negative impact on the consolidated income statement for year ended 2016 is € 129 thousand, gross of the related deferred tax effect of € 31 thousand.

h. *Recalculation of staff termination benefits under IAS 19.* The adjustments relate to the effects of actuarial assumptions adoption, in the valuation on employee benefits in accordance with IAS 19 requirements. Under Italian GAAP, provisions were made for staff termination benefits based on the nominal value of the liabilities as at the balance sheet date, assuming that all employees would leave the company at that date. Under IAS 19, the TPER Group staff termination benefits would be classified as a "defined benefit plan", and the present value of the benefit obligation as at the balance sheet date is measured by actuarial valuations, based on specific demographic, economic and financial assumptions. Following the valuation carried out by the independent actuary appointed by the Group, the value of the defined benefit obligation as at January 1, 2016, re-measured under IAS 19, is € 2,224 thousand higher than the Italian GAAP provisions. As at December 31, 2016 the difference raised to € 3,439 thousand. This resulted in a reduction of consolidated shareholders' equity of € 1,690 thousand as at January 1, 2016 and € 2,613 thousand as at December 31, 2016, net of the related tax effect of € 534 thousand and € 825 thousand, respectively. The impact on the consolidated income statement for year ended 2016 is negligible, as the impact of net actuarial losses of € 1.207 thousand is recognised in other comprehensive income for year ended 2016, with a negative impact, gross of related tax effect of € 290 thousand.

i. *Derecognition of intangible assets.* IAS 38 states certain restrictions for the recognition of intangible assets. As already described in paragraph 5, IAS 38 establishes that in order to be recognised in the statement of financial position, an intangible asset must be identifiable, controlled by the entity and capable of producing future economic benefits. An asset is identifiable if: (i) it is separable, meaning that it is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with the related contract, asset or liability; or (ii) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. Consequently, some intangibles which could be capitalised under Italian GAAP, are no longer, therefore, classifiable as intangible assets under IFRS. The elimination of such non-capitalisable long-lived assets has resulted in a reduction in consolidated shareholders' equity of € 762 thousand as at January, 1 2016 and € 412 thousand as at December 31, 2016, gross of the related deferred tax effect of € 212 thousand and € 115 thousand, respectively. The positive impact on the consolidated income statement for year ended 2016 is € 252 thousand, net of the related deferred tax effect of € 98 thousand.

8. RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AT JANUARY, 1 2016 AND DECEMBER, 31 2016 AND OF THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER, 31 2016

The reconciliations of the consolidated balance sheet as at January,1 2016, and December 31 2016 and the consolidated income statement for the year ended December, 31 2016 are shown below. The reconciliations show:

- amounts determined under Italian GAAP, reclassified in order to take account of the structures of the IFRS statement of financial position and income statement adopted by the TPER Group;
- IFRS adjustments and reclassifications.

Notes to the main adjustments to the statement of financial position and income statement line items are also provided. Under IFRS 1, at the date of transition to IFRS:

- all and only assets and liabilities that meet the IFRS requirements have been accounted for;
- assets and liabilities have been measured on the basis of the amounts that would have been recognised had IFRS been applied retrospectively, taking account of the exemptions granted by IFRS 1 and described above;
- items previously reported in the financial statements on a different basis with respect to IFRS have been reclassified.

8.1 Reconciliation of consolidated statement of financial position under ITA GAAP to IFRS as of January 1, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of January 1, 2016

	Notes	ITA_GAAP	Reclassification	IFRS adjustments	IFRS Restated
Non-Current Assets					
Property, plant and equipment	a, g	215.225.390	626.342	(87.335.944)	128.515.787
Goodwill		0	0	0	0
Other Intangible assets	b	8.911.136	17.794.773	(761.589)	25.944.320
Concession rights		19.031.115	(19.031.115)	0	(0)
Investments	c	13.701.450	(4.296.629)	570.017	9.974.838
Deferred tax assets	d	14.571	0	784.907	799.478
Non-current financial assets		3.852.413	0	0	3.852.413
Other non-current assets	e	4.650.300	0	(99.310)	4.550.990
Total Non-Current Assets		**265.386.374**	**(4.906.629)**	**(86.841.919)**	**173.637.825**
Current Assets					
Inventories	f	25.212.144	0	546.462	25.758.606
Trade and other receivables		78.159.226	(859.204)	0	77.300.022
Current tax assets		4.240.112	(3.186.329)	0	1.053.783
Current financial assets		5.646.905	0	0	5.646.905
Other current assets	g	15.092.992	4.546.329	(313.965)	19.325.356
Cash and cash equivalents		47.247.228	0	0	47.247.228
Total Current Assets		**175.598.607**	**500.796**	**232.497**	**176.331.900**
Total Assets		**440.984.981**	**(4.405.833)**	**(86.609.422)**	**349.969.725**
Shareholder's Equity					
Share capital		68.492.702	0	0	68.492.702
Reserves and retained earnings		44.285.805	0	21.788.405	66.074.210
Profit for the year		0	0	0	0
Shareholders’ equity attributable to the Owners of the Company		**112.778.507**	**0**	**21.788.405**	**134.566.912**
Capital and reserves attributable to non-controlling interests		3.404.209	0	192.448	3.596.657
Profit for the year attributable to non-controlling interests		0	0	0	0
Shareholders’ equity attributed to the non-controlling interests		**3.404.209**	**0**	**192.448**	**3.596.657**
Total Shareholders' Equity		**116.182.716**	**0**	**21.980.853**	**138.163.569**
Non-Current liabilities					
Non-current financial liabilities	g	2.403.919	0	1.149.652	3.553.571
Provisions for employee benefits	h	31.350.405	0	2.223.510	33.573.915
Provisions for risks	i	35.990.372	(6.440.540)	(5.800.935)	23.748.897
Deferred tax liabilities	d	146.464	0	6.929.602	7.076.066
Other non-current liabilities	e	1.753.803	616.041	(656.222)	1.713.622
Total Non-Current Liabilities		**71.644.962**	**(5.824.499)**	**3.845.608**	**69.666.071**
Current liabilities					
Current financial liabilities		7.946.880	668.666	134.136	8.749.682
Trade and other payables		67.023.153	0	0	67.023.153
Current tax liabilities		4.263.974	750.000	0	5.013.974
Other current liabilities	a, j	173.923.295	0	(112.570.019)	61.353.275
Other current financial liabilities		0	0	0	0
Total Current Liabilities		**253.157.303**	**1.418.666**	**(112.435.883)**	**142.140.085**
Total Liabilities		**324.802.265**	**(4.405.833)**	**(108.590.276)**	**211.806.156**
Total Shareholders' Equity and Liabilities		**440.984.981**	**(4.405.833)**	**(86.609.422)**	**349.969.725**

8.2. Reconciliation of consolidated statement of financial position under ITA GAAP to IFRS as of December 31, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of December 31, 2016

	Notes	ITA_GAAP	*Reclassification*	Total IFRS adjustments	IFRS Restated
Non-Current Assets					
Property, plant and equipment	a, g	276.879.787	652.200	(96.057.597)	181.474.390
Goodwill		0	0	0	0
Other Intangible assets	b	7.991.826	17.987.423	(411.760)	25.567.489
Concessions		18.639.623	(18.639.623)	0	0
Investments	c	14.537.933	0	136.703	14.674.636
Deferred tax assets	d	16.391	0	1.063.787	1.080.178
Non-current financial assets		447.543	0	0	447.543
Other non-current assets	e	4.486.496	0	19.346	4.505.842
Total Non-Current Assets		**322.999.599**	**0**	**(95.249.521)**	**227.750.078**
Current Assets					
Inventories	f	26.940.527	(5.352.272)	(32.578)	21.555.677
Trade and other receivables		77.835.598	(1.042.050)	0	76.793.548
Current tax assets		7.233.841	(7.085.560)	0	148.281
Current financial assets		3.736.060	0	0	3.736.060
Other current assets	g	23.750.006	7.085.560	(245.498)	30.590.068
Cash and cash equivalents		30.243.444	0	0	30.243.444
Total Current Assets		**169.739.476**	**(6.394.322)**	**(278.076)**	**163.067.078**
Total Assets		**492.739.075**	**(6.394.322)**	**(95.527.597)**	**390.817.155**
Shareholder's Equity					
Share capital		68.492.702	0	0	68.492.702
Reserves and retained earnings		43.992.679	0	20.898.564	64.891.242
Profit for the year		7.608.941	0	(868.720)	6.740.221
Shareholders’ equity attributable to the Owners of the Company		**120.094.321**	**0**	**20.029.844**	**140.124.165**
Capital and reserves attributable to non-controlling interests		2.440.718	0	164.790	2.605.508
Profit for the year attributable to non-controlling interests		74.268	0	51.144	125.412
Shareholders’ equity attributed to the non-controlling interests		**2.514.985**	**0**	**215.935**	**2.730.920**
Total Shareholders' Equity		**122.609.307**	**0**	**20.245.778**	**142.855.085**
Non-Current liabilities					
Non-current financial liabilities	g	7.056.173	0	859.042	7.915.215
Provisions for employee benefits	h	29.370.906	0	3.438.782	32.809.688
Provisions for risks	i	43.193.694	(7.517.718)	(5.877.509)	29.798.467
Deferred tax liabilities	d	105.984	0	6.607.389	6.713.373
Other non-current liabilities	e	4.696.916	616.041	(408.851)	4.904.106
Total Non-Current Liabilities		**84.423.672**	**(6.901.677)**	**4.618.853**	**82.140.848**
Current liabilities					
Current financial liabilities		24.602.175	507.355	129.057	25.238.587
Trade and other payables		69.046.480	0	0	69.046.480
Current tax liabilities		896.752	0	0	896.752
Other current liabilities	a, j	191.160.689	0	(120.521.286)	70.639.403
Other current financial liabilities		0	0	0	0
Total Current Liabilities		**285.706.096**	**507.355**	**(120.392.229)**	**165.821.222**
Total Liabilities		**370.129.768**	**(6.394.322)**	**(115.773.376)**	**247.962.070**
Total Shareholders' Equity and Liabilities		**492.739.075**	**(6.394.322)**	**(95.527.598)**	**390.817.155**

8.3 Reconciliation of 2016 consolidated income statement and 2016 consolidated statement of comprehensive income under ITA GAAP to IFRS

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2016

	Notes	ITA_GAAP	*Reclassification*	IFRS adjustments	IFRS Restated
Revenues		242.668.247	0	0	242.668.247
Revenues for planning and construction activities		254.343	0	0	254.343
Other revenues	a, j	66.804.375	0	(5.530.221)	61.274.154
Total Revenues		**309.726.965**	**0**	**(5.530.221)**	**304.196.744**
Purchases of goods	f	(36.684.349)	(1.055.643)	(579.040)	(38.319.032)
Services, leases and rental expenses	g	(107.424.744)	0	(756.285)	(108.181.029)
Payroll costs	h	(124.034.128)	0	(453.671)	(124.487.799)
Other operating expenses		(2.757.370)	0	0	(2.757.370)
Total Operating Costs		**(270.900.591)**	**(1.055.643)**	**(1.788.996)**	**(273.745.230)**
Gross Operating margin		**38.826.374**	**(1.055.643)**	**(7.319.217)**	**30.451.514**
Amortisation, depreciation and write-downs	b, g, i	(22.714.783)	1.055.643	6.689.276	(14.969.864)
Operating income (EBIT)		**16.111.592**	**0**	**(629.941)**	**15.481.651**
Financial income	c	139.525	161.311	48.058	348.894
Financial expense	c, g, i	(508.898)	(161.311)	(547.049)	(1.217.258)
Net financial income and expenses	g	**(369.372)**	**0**	**(498.991)**	**(868.363)**
Profit before taxes		**15.742.219**	**0**	**(1.128.932)**	**14.613.287**
Income Taxes	d	(8.059.011)	0	311.357	(7.747.654)
Profit for the year		**7.683.208**	**0**	**(817.575)**	**6.865.633**
Of which:					
Profit for the year assigned to non-controlling interests		74.268	0	51.144	125.412
Profit for the year assigned to the owners of the Company		7.608.941	0	(868.720)	6.740.221

STATEMENT OF COMPREHENSIVE INCOME
for the year ended December 31, 2016

	Notes	ITA GAAP	*Reclassification*	IFRS adjustments	IFRS Restated
Profit for the year (a)		**7.683.208**	**0**	**(817.575)**	**6.865.633**
Actuarial profit/(loss) on employee benefits (Employee Severance Indemnity)	h	0	0	(1.207.237)	(1.207.237)
Tax effect on profit/(loss) that will not be subsequently reclassified in the Income Statement	h	0	0	289.737	289.737
Profit/(loss) that will not be subsequently reclassified in the income statement (b)		**0**	**0**	**(917.500)**	**(917.500)**
Profit/(loss) that will be subsequently reclassified in the income statement (c)		**0**	**0**	**0**	**0**
Comprehensive income (a) + (b) + (c)		**7.683.208**	**0**	**(1.735.075)**	**5.948.133**
Of which:		0	0	0	0
Profit for the year assigned to non-controlling interests		74.268	0	51.144	125.412
Profit for the year assigned to the owners of the Company		7.608.941	0	(1.786.219)	5.822.721

8.4 Explanatory notes to principal IFRS reclassifications and adjustments

The following notes contain a description about principal adjustments and reclassifications arising from transition to IFRS, relating to financial statements as of January 1, 2016 and December 31, 2016, including consolidated income statement for the year ended December, 31, 2016.

a. *Adjustments to Property Plant and Equipment (PPE)*

At the date of transition to IFRS, bus rolling stock used for urban public transport of Bologna and Ferrara has been valuated at its fair value.

Reclassifications and adjustments mainly relate to:

- *government grants*: under Italian GAAP, government grants related to the rolling stock was presented in the statement of financial position by setting up the grant as deferred income, classified as "Other current liabilities". At the transition date, government grants related to rolling stock is presented in the IFRS statement of financial position by deducting the grants from the carrying amount of the related property, plant and equipment. Therefore, government grants are recognised in profit or loss over the life of the depreciable assets as a reduced depreciation expense, instead of other revenues. This has resulted in reclassification of other current liabilities (totaling € 110,255 thousand as at January, 1 2016 and € 119,037 thousand as at December, 31 2016) which are now accounted for under IFRS as a reduction of PPE;

- *fair value as deemed cost:* TPER Group has applied optional exemption stated by IFRS 1.D5 to record certain assets of PPE at fair value on the transition date. The exemption has been applied to bus rolling stock used for urban public transport of Bologna and Ferrara and its fair value as of January, 1 2016 has been obtained from an external independent appraisal. The recognition of fair value results in an increase of PPE € 21,025 thousand as of January, 1 2016 and in an adjustment to consolidated income statement for year ended 2016 due to the write off of depreciation recognised according ITA Gaap, € 7.564 thousand; the reversal of deferred revenues, € 3.754 thousand, and the recognition of depreciation calculated in compliance with IAS 16, € 3.752 thousand.

b. *Derecognition of intangible assets*

Under Italian GAAP start-up, pre-operating, training and research costs have been recognised as intangible assets. These assets do not satisfy IAS 38 recognition requirements, so they have been eliminated in the opening IFRS statement of financial position. This adjustments resulted in a reduction of € 762 thousand of other intangible assets and in a positive adjustment of consolidated income statement 2016, due to the derecognition of depreciation, amounting to € 350 thousand.

c. *Equity method for investments in associates*

These adjustments relate to the conversion to equity method accounting and IFRS conversion applied to the financial statements of the associated companies. As a consequence, the line item "Investments" has been increased by € 570 thousand as at January 1, 2016 and € 137 thousand as at December 31, 2016. In the 2016 consolidated income statement this resulted in an increase of financial income for € 25 thousand and a decrease of financial expense for € 458 thousand.

d. ***Deferred tax assets / liabilities and income taxes***

The restated to equity as at January, 1 2016 totalling negative € 6,130 thousand affected the accounting values of assets and liabilities but not their tax bases. Applying the Italian statutory tax rate (IRES 24% and IRAP 3,9%) to these restatements would trigger the recognition of:

- a deferred tax assets of € 785 thousand as at January 1, 2016 and € 1,064 thousand as at December 31, 2016;
- a deferred tax liabilities of € 6,930 thousand as at January 1, 2016 and € 6,607 thousand as at December 31, 2016;
- in the 2016 consolidated income statement this resulted in a net deferred income tax assets of € 311 thousand

e. ***Initial measurement of financial assets and financial liabilities***

According to IAS 39, when a financial asset or financial liability is recognised initially the entity shall measure it at its fair value that normally is the transaction price. Nevertheless, for long term loans and receivables with no stated interest, classified as other non-current liabilities or assets, the fair value is estimated by using a discounted cash flow valuation method. Therefore, the initial measurement of these financial assets and financial liabilities have been recalculated as the present value of all future cash payments and receipts discounted using the market rate of interest for similar instrument with a similar credit rating issued at the same time. These adjustments have resulted in:

- a decrease of other non-current assets of € 99 thousand as at January 1, 2016 and an increase of € 19 thousand as at December 31, 2016;
- a decrease of other non-current liabilities of € 656 thousand as at January 1, 2016 and of € 409 thousand as at December 31, 2016;
- an increase of financial expense of € 158 thousand and an increase of financial income € 23 thousand recognised in 2016.

f. ***Valuation of inventories with the weighted average cost formula***

As already described, under Italian GAAP inventories are valued according to the last-in, first-out method (LIFO). IAS 2 - Inventories states that the method for determining the cost of fungible items is the first-in, first-out (FIFO) method or the weighted average cost; TPER Group adopted the weighted average cost formula. As a result, as at January 1, 2016 the value of inventories have been increased of € 546 thousand, while as at December 31, 2016 they have been decrease of € 33 thousand. The impact on the consolidated income statement for year ended 2016 is negative for € 579 thousand, as a consequence of an increase of purchases of goods.

g. ***Financial leases.***

Under IAS 17 (see the relevant description already provided in the notes to the main adjustments to the reconciliation of consolidated shareholders' equity), assets acquired under finance leases (€ 1.894 thousand, net of accumulated depreciation as at January,1 2016 and € 1.735 thousand, net of accumulated depreciation as at December, 31 2016) have been accounted for, as well as the related financial liability (€ 1.284 thousand as at January,1 2016 and € 988 thousand as at January,1 2016). The impact on the consolidated income statement for year ended 2016 is positive for € 205 thousand, as result of:

- the derecognition of rent costs related to leasing payments (€ 419 thousand), accounted for under ITA GAAP as operating leases;
- the recognition of depreciation of plant and equipment acquired under the finance leases (€ 159 thousand);
- the recognition of financial expenses related to liabilities accounting for according to IAS 17 (€ 55 thousand).

h. ***Recalculation of staff termination benefits under IAS 19***

Under Italian GAAP, provisions were made for staff termination benefits based on the nominal value of the liabilities as at the balance sheet date, assuming that all employees would leave the company at that date. Under IAS 19, the TPER Group staff termination benefits would be classified, according to IAS 19, as a "defined benefit plan", and the present value of the benefit obligation as at the balance sheet date is measured by actuarial valuations, based on specific demographic, economic and financial assumptions. Following the valuation carried out by the independent actuary appointed by the Group, the value of the defined benefit obligation as at January,1 2016, re-measured under IAS 19, is € 2.224 thousand higher than the provisions accounted for under Italian GAAP. As at December, 31 2016 the difference is € 3.439 thousand.

i. ***Write off of provisions***

Under IAS 37, a provision should only be recognised where all the conditions above indicated are met and also taking account, where material, of the time value of money. As a consequence, as at January 1, 2016, provisions recognised according ITA GAAP have been reduced for € 5.801 thousand, and for € 5.878 thousand as at December 31, 2016. The impact on the consolidated income statement for year ended 2016 is positive by € 77 thousand.

j. ***Derecognition of financial liabilities***

According to IAS 32, in brief, a financial liability is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Therefore, financial liabilities that do not meet the IAS 32 requirements have been eliminated. The elimination of such liabilities has resulted in a decrease in other current liabilities of € 2.315 thousand as at January, 1 2016 and € 1.484 thousand as at December 31, 2016. The positive impact on the consolidated income statement 2016 is € 831 thousand.

9. Impacts on cash flows as of December 31, 2016

The adoption of IFRS has not determined significant impacts on cash flow consolidated statement; for this reason the reconciliation prospect has not been represented. The following table shows the reconciliation of the net financial debt as of December 31, 2016 between the amounts determined in accordance with Italian GAAP and those determined under IFRS.

CONSOLIDATED NET FINANCIAL DEBT

for the year ended December 31, 2016

€000	*Consolidato ITA_GAAP*	*Reclassification*	**Total IFRS adjustments**	**IFRS Restated**
Non-current financial liabilities	7.056	0	859	7.915
Non-current financial assets	(448)	0	0	(448)
Total non current net debt	**6.609**	**0**	**859**	**7.468**
Current financial liabilities	24.602	507	129	25.239
Current financial assets	(3.736)	0	0	(3.736)
Cash and cash equivalents	(30.243)	0	0	(30.243)
Total current net debt	**(9.377)**	**507**	**129**	**(8.741)**
TOTAL NET FINANCIAL DEBT	**(2.769)**	**507**	**988**	**(1.273)**

Under IAS 17 (see the relevant description already provided in the above paragraph on the reconciliation of consolidated shareholders' equity) assets acquired under finance leases have been accounted for using the relevant method. This has resulted in the recognition of financial liabilities of € 1.284 thousand at January 1, 2016 and € 988 thousand at December 31, 2016.